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2008 MAY -2 PM 2:53  
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## Egypt to raise wages after unrest

Bloomberg News

Thursday, May 1, 2008

CAIRO: With opposition groups calling for general strike Sunday, President Hosni Mubarak of Egypt proposed a 30 percent increase in wages for state workers.

During a speech Tuesday, the eve of May Day, to the official Trade Union Federation in Cairo, Mubarak said, "We had talked about a 15 percent raise, but decided on 30 percent. The government will have to find the resources."

He called on private companies to match the increase. Mubarak, 79, also proposed expansion of programs to provide subsidized bread, cooking oil and other products to Egypt's poor. The government employs about four million workers.

Egypt, a U.S. ally that annually receives \$2 billion in American aid, has been shaken by a series of wildcat labor strikes to protest privatization, layoffs and high food prices. Strikes are illegal in Egypt unless the official labor federation approves; all have taken place without its endorsement. Riots on April 6 and 7 in the northern textile town of Mahalla El-Kobra began with complaints about bread prices and low salaries and ended with denunciations of Mubarak himself.

In March, inflation in urban Egypt accelerated to 14 percent, compared with 12 percent in February, according to the Central Agency for Public Mobilization and Statistics. Impoverished Egyptians flocked to subsidized bakeries. In the past two months, fistfights broke out at several bakeries in Cairo as consumers complained of shortages; Mubarak ordered government bakeries to make more bread.

"It is a good move to sustain purchasing power of low income families," Reham El-Desoki, a senior economist at Beltone Financial, a Cairo-based investment bank, said of Mubarak's wages initiative. "But the government won't be able to reduce its budget deficit by 1 percent annually as planned." The current deficit stands at 6.9 percent of gross domestic product. The government had

projected it to fall to 3 percent of GDP by the end of 2010.

### **Egypt Boosts Pay 30%**

As Prices Shoot Higher

By MARIAM FAM

May 1, 2008; Page A12

CAIRO, Egypt -- Egyptian President Hosni Mubarak said Wednesday his government would boost public-sector salaries by about 30%, twice what it had proposed, in the latest of a raft of emergency measures aimed at alleviating popular anger at price increases.

[Egypt]

Getty Images

Egyptian President Hosni Mubarak

The move is the latest by Middle Eastern governments, swamped with soaring inflation, to help ease consumers' pain. Amid an oil-fed economic boom and soaring global food and fuel prices, inflation across the region has risen sharply. In Egypt, annual urban inflation hit 14.4% in March.

Activists have circulated calls on the Internet for a day of nationwide strikes and boycotts on Sunday, the president's birthday, to protest price rises. A similar day of protests largely fizzled last month after government warnings and a heavy police presence. Skirmishes with police in one industrial city, Mahalla El-Kobra, turned violent.

Mr. Mubarak's announcement, made during a televised speech to mark International Labor Day, means the government has to come up with additional resources. Egypt's budget is already under strain after it recently boosted food-subsidies programs to cope with soaring food prices. Food subsidies are expected to increase to about \$3.7 billion in the new fiscal year, which starts in July, from nearly \$2.8 billion this fiscal year.

Cairo has also set a six-month ban on rice exports and lifted import tariffs on some food items such as

vegetable oil and dairy products. Mr. Mubarak has ordered the army to bake more bread in an effort to meet demand for subsidized bread.

The government has proposed a 15% salary increase in the next fiscal year, but the president said he asked for more to account for inflation. Prime Minister Ahmed Nazif suggested in an interview published Tuesday the government may turn to higher taxes to raise the extra money.

"Of course this puts a burden on the government," says Magdy Sobhi, an economist with Al-Ahram Center for Political and Strategic Studies in Cairo. "The fact that the president doubled the raise shows he realizes the sensitivity and graveness of the security and political situation in Egypt."

### **Egypt leader raises salaries 30 percent after strike threat**

By MAGGIE MICHAEL - 1 day ago

CAIRO, Egypt (AP) — Egypt's president announced a 30 percent salary increase for all government employees Wednesday, a day after the country's largest opposition group backed calls for a general strike to protest rising food prices.

The Egyptian government has been on edge since early April when thousands of citizens staged violent riots in the northern city of Mahalla over low salaries and rising prices. Three people were killed during the protests, 80 were injured and about 400 were arrested.

The Muslim Brotherhood stayed on the sidelines during the April protests. But the powerful opposition group's decision Tuesday to back a strike timed to coincide with Egyptian President Hosni Mubarak's 80th birthday in May could have contributed to the president's decision to take unprecedented action.

"Of course, nobody expected a 30 percent (salary) increase ... but I asked the government to search for resources," Mubarak told hundreds of cheering workers Wednesday during a speech marking the upcoming May 1 Labor Day holiday.

The call for a May 4 strike was initiated by a group of young Egyptian activists on the social networking Web site Facebook. A majority of Egyptians lack access to the Internet, but the Facebook group also has spread word using mobile phone text messages and by plastering leaflets across Cairo.

The activists have demanded that the government crack down on monopolies to help manage price increases and also have called on the government to increase minimum wages for public workers.

"Our demands are specific, and the government can implement them only if it gives up personal interests and interests of some businessmen close to the regime," the activists said in a statement posted on their Web site.

In his speech Wednesday, Mubarak blamed Egyptians' suffering on the global increase in food prices. The World Bank estimates that food prices have increased 83 percent in the past three years.

"We are not isolated from the world," said Mubarak. "We import half of our needs of grain and corn and 90 percent of cooking oil, and our imports of food commodities increase year after year to meet the growth of the population."

Inflation in Egypt reached 14.4 percent in March, making life difficult for the 20 percent of the country's 76.5 million people who live below the poverty line of about \$2 per day. In the last two months, eleven people have died in clashes while standing in line to buy subsidized bread, according to police.

On Tuesday, the Muslim Brotherhood issued a statement calling its members and sympathizers to participate in the May 4 strike by staying home.

Muslim Brotherhood leader Mohammed Mahdi Akef said the opposition group was against "public policies that deepen corruption and dictatorship."

The Brotherhood is banned by the government, but officials have not wiped out the organization despite periodic crackdowns. Brotherhood members often

participate in elections as independents and scored surprise victories in 2005 that gave them a fifth of the parliament's 454 seats.

The government has increased pressure on the group in recent weeks, sentencing 25 senior members to prison by a military tribunal and preventing hundreds from running in local elections.